

Message Text

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R 081633Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY PARIS

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FOLLOWING REPEAT VIENTIANE 3097 ACTION SECSTATE INFO BANGKOK
07 MAY 75:

QUOTE

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AIDAC

FOR AID-LAOS DESK.

E.O. 11652: N/A

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (APR 30-MAY 6)

1. ECONOMIC SITUATION IN LAOS IN PAST WEEK HAS BECOME
INCREASINGLY SERIOUS. AS PREVIOUSLY REPORTED, WIDE-
SPREAD CONCERN AND NERVOUSNESS EXISTS IN VIENTIANE OVER
POLITICAL AND ECONOMIC FUTURE OF LAOS. SOUTH
VIETNAMESE AND CHINESE COMMUNITIES ARE PARTICULARLY
CONCERNED, THOUGH OTHER NATIONALITY GROUPS, INCLUDING
LAO, ARE ALSO BECOMING APPREHENSIVE. NUMEROUS
REPORTS HAVE BEEN RECEIVED BY MISSION CONCERNING EFFORTS
OF RESIDENTS IN LAOS, PARTICULARLY VIETNAMESE AND
CHINESE, TO CONVERT KIP AND OTHER ASSETS TO DOLLARS

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FOR TRANSFER OUT OF COUNTRY. REPORTS HAVE ALSO
BEEN RECEIVED OF CONSIDERABLE NUMBERS OF PEOPLE
(AGAIN, PARTICULARLY SOUTH VIETNAMESE AND CHINESE)
MAKING EFFORTS TO LEAVE LAOS AND RELOCATE
ELSEWHERE.

2. MOST READILY VISIBLE ECONOMIC IMPACT OF THIS SITUATION IS SPIRALING FREE MARKET RATE AND PRICE LEVEL, WHICH ARE CREATING INCREASING PROBLEMS FOR POPULATION IN ALL URBAN AREAS. STRIKE AND DEMONSTRATIONS IN PAKSE (PARA 6) AND SIT-IN STRIKE BY VIENTIANE SLAUGHTERHOUSE EMPLOYEES (PARA 7) OVER PRICES AND PRICE CONTROLS ARE LARGELY OUTGROWTH OF DETERIORATING ECONOMIC SITUATION.

3. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING MAY 2 WAS \$432,000 (PREVIOUS WEEKLY AVERAGE \$467,000). OF FX SOLD, 40 PERCENT WAS FOR PETROLEUM PRODUCTS, AND 16 PERCENT FOR MATERIALS FOR SEVERAL DOMESTIC INDUSTRIES (WIRE MANUFACTURER, BREWERY, TIN MINES).

4. THE FREE MARKET RATE ROSE BY APPROXIMATELY 33 PERCENT DURING PAST WEEK. ON MAY 7 MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 2,400 KIP PER DOLLAR AND SELLING FOR 2,450 KIP, UP FROM 1,800 KIP BUYING AND 1,850 KIP SELLING ON APR 30.

5. USAID COST-OF-LIVING INDEX INCREASED BY 6.4 PERCENT DURING PAST WEEK, REFLECTING PRIMARILY PRICE INCREASES IN FLOUR, MEAT, CERTAIN VEGETABLES AND FRUITS, COFFEE, AND COTTON CLOTH. USAID SURVEY OF SELECTED IMPORTED ITEMS ALSO SHOWED SHARP INCREASES DURING MONTH OF APRIL IN ALMOST ALL COMMODITIES SURVEYED. USAID INDEX ON MAY 5 SHOWED FOLLOWING INCREASES:

	PERCENTAGE INCREASE SINCE			
	MAR 31	END		
	APR 28	DEVALUATION	CY 74	
GENERAL INDEX	6.4	42.7	52.3	
RICE INDEX	-0-	40.9	55.0	
NON-RICE INDEX	8.0	43.1	51.7	

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6. A SERIES OF MEETING WERE HELD IN PAKSE DURING PAST WEEK BETWEEN LOCAL GOVERNMENT OFFICIALS, STUDENTS, WORKERS, AND MERCHANTS CONCERNING THE ECONOMIC SITUATION AND THE RISING PRICES OF COMMODITIES. RICE PRICES, IN PARTICULAR, WERE OF MAJOR CONCERN. AGREEMENTS REACHED WITH RICE MERCHANTS TO LOWER PRICES HELPED INITIALLY TO AVERT A THREATENED GENERAL STRIKE. REPORTS, HOWEVER, INDICATE THAT THESE AGREEMENTS HAVE BROKEN DOWN AND A GENERAL STRIKE (INCLUDING SOME GOVERNMENT OFFICIALS) AND DEMONSTRATIONS BEGAN ON MAY 5. LATEST REPORTS INDICATE THAT ONLY LIMITED GOVERNMENT SERVICES ARE CURRENTLY BEING PROVIDED. DEMANDS BY STRIKERS

INCLUDE A RESOLUTION OF PROBLEMS RELATING TO THE
PRICE OF RICE, AND CONTROL OF FOOD PRODUCTS AND
PRODUCTS OF EVERYDAY USE.

7. VIENTIANE SLAUGHTERHOUSE EMPLOYEES HAVE OCCUPIED
SLAUGHTERHOUSE SINCE NIGHT OF MAY 3 IN PROTEST OF HIGH
MEAT PRICES AND EMPLOYEE'S BELIEF THAT THE JOINT
ECONOMIC ENTERPRISE OPERATING THE SLAUGHTERHOUSE IS
MAKING EXCESSIVE PROFITS AND IS NOT SUFFICIENTLY
CONCERNED WITH NEEDS OF POPULATION. WORKERS' BASIC
DEMANDS ARE THAT THE GOVERNMENT SHOULD ASSUME COMPLETE
OWNERSHIP AND CONTROL OF THE SLAUGHTERHOUSE. THE
GOVERNMENT HAS REPORTEDLY ACCEPTED IN PRINCIPLE THE
DEMANDS OF WORKERS. HOWEVER, NO DEFINITE ACTION HAS
YET BEEN TAKEN.

8. DECONTROL FOLLOWING 5/7/76.
CHAPMAN UNQUOTE

KISSINGER

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